GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4216
ANSWERED ON:04.05.2007
INDEPENDENT CREDIT RATING AGENCIES
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Will the Minister of FINANCE be pleased to state:

(a) whether the rating given to various companies by the Independent Credit Rating Agencies have a large impact on the share prices of these companies and which in turn have an impact on the small investors;

(b) if so, whether there is a need for proper regulation of the Credit Rating Agencies;

(c) whether the government proposes to amend the Securities and Exchange Board of India (SEBI) Act to regulate the working of the independent credit rating agencies; and

(d) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a): The movement of market indices or price of a specific share is a function of perceptions of the investors − domestic and overseas, retail and institutional − about the economy, the sector and the company. This perception is influenced by many factors including macro-economic environment, growth potential of the economy, corporate performance, domestic and international events, and market sentiments. However, rating is an additional tool in the hands of small investor to make informed investment decision.

(b) to (d): The Securities and Exchange Board of India Act, 1992 empowers SEBI to register and regulate Credit Rating Agencies. Pursuant to these powers, SEBI has framed the SEBI (Credit Rating Agencies) Regulations, 1999 providing for registration and regulation of Credit Rating Agencies.